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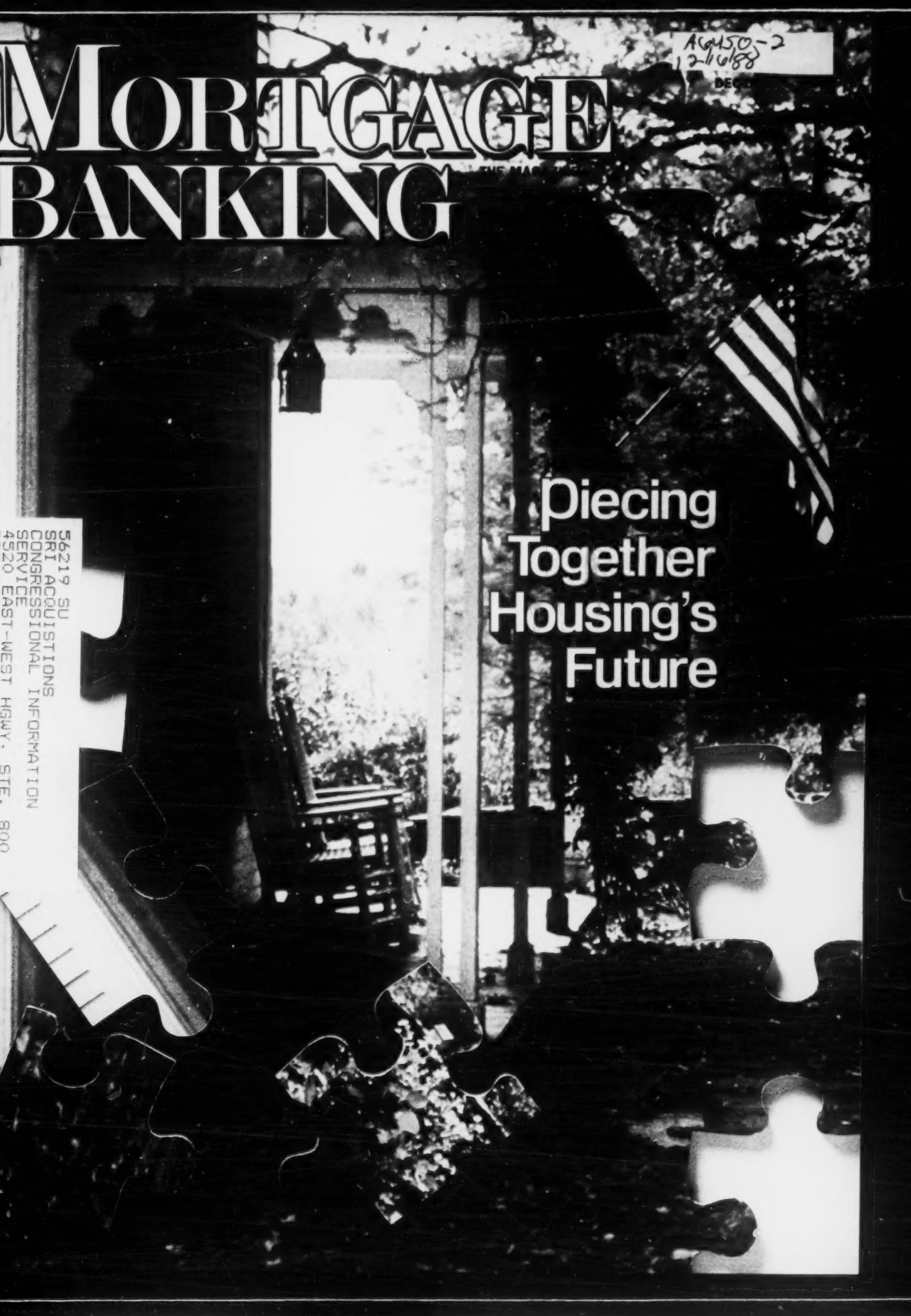
MORTGAGE BANKING



Piecing Together Housing's Future

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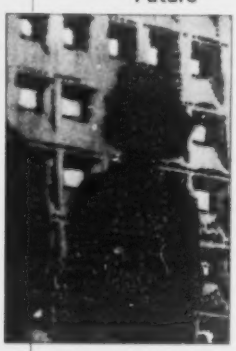
SERVICE
4520 EAST-WEST HGWY. STE. 800

CONTENTS

DECEMBER 1988 VOLUME 49 NUMBER 4

Cover: Piecing Together Housing's Future



This is a critical transition time for America's housing policy. Yet, the names and faces of key officials who will shape the direction of that policy are still unknown. President-elect Bush and his transition team are quickly filling in missing pieces of the puzzle that depicts who the major domestic policymakers will be in his administration. But the exact shape of the finished housing policy depends on how other pieces of the puzzle fall into place. Those last, hard-to-fit pieces are not likely to find a final resting place until the ink is dry on a final budget compromise that Congress approves.

14 The Battle for President Bush's Housing Soul The people chosen to head the key federal government housing programs will tell a lot about housing priorities in the Bush administration. By JOSEPH C. DAWSON

23 Reagan Years The housing policy legacy of the Reagan administration reflects the hard choices dictated by budget deficits. Yet, despite some policy differences with the outgoing administration, the mortgage banking industry enjoyed some record years during the Reagan era. By BILL BLACK

Legislative

28 The Cornerstone to Expanding Homeownership Is broadening the reach of the FHA program the answer to the growing affordability problem? Some in the housing industry say yes, others are not convinced. By BRIAN J. CHAPPELLE

Regulatory

39 Unlocking the Door for First-time Buyers Most states have a program to channel below-market mortgage financing to first-time homebuyers. These programs can be new profit opportunities for lenders. By DIANE L. CORTES

44 Regulatory Roadblock—California's Licensing Dilemma The mortgage banking business has long been operating on a nationwide scope but some state laws hamper its smooth operation across state lines. By WILLIAM F. MACK

Insurance

52 Weighing the Risk of Self-Insurance The factors linked to foreclosure risk are spelled out in this guide to help lenders decide if self-insuring is a too risky business. By TERRANCE M. CLAURETIE AND JOHN B. CORGEL

Income Property

63 The Workout Group Loan workout departments are playing an increasingly important role in preserving lenders' bottom lines. Some well-run ones have even become independent profit centers. By EVERETT S. COVINGTON

Executive Essay

71 Loan Officers—An Endangered Species? The moment of truth has come for pondering the future of the loan officer. With lenders turning away from retail, the traditional commission is being re-examined. By JOHN J. JACOBS IV

Legal Opinion

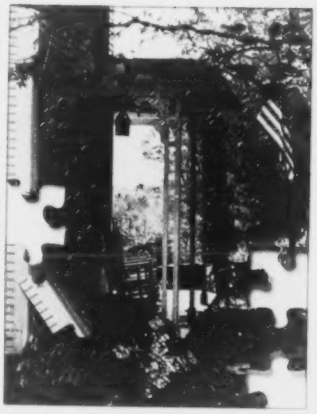
74 The Illinois Foreclosure Act—Still an Albatross A legal opinion on why the latest revisions to the Illinois foreclosure law fell short of the goal of improving the version that was on the books. By LEE SCOTT PERRES AND BARRY FISHER

DEPARTMENTS

9 BOARDROOM VIEW
11 BUSINESS ALERT
78 PEOPLE
81 THE SECONDARY MARKET
83 ECONOMIC TRENDS
88 INDEX TO ADVERTISERS

COVER PHOTOGRAPHY BY BOB GROVE

Housing Policy in Transition



An audible sigh of relief is in the air around Washington these days. A new president is preparing to take the helm and although much is not known about his housing agenda he is sending at least one hopeful signal to the housing community. What is the message Mr. Bush has been articulating that could bring so much potential good cheer: It's that deficits do matter.

In other times, that would seem an unbelievably trite message to raise hopes so high. But in the wake of the Reagan dogma, a pragmatic man in the White House is indeed a sign that holds promise. The Bush housing agenda is still somewhat veiled in mystery. But if genuine progress is made on reducing budget deficits, that will be a big plus for housing because lower rates are sure to follow.

This month's issue probes the choices the new occupant of the White House has before him, as far as key housing advisors and policy. We couple this look ahead with a look back at the past eight years of housing policy. The acute problem of housing affordability will be a major focus in the 101st Congress. A National Housing Task Force has proposed expanding the FHA program in ways to help tackle the affordability problem and we examine the merits of that approach. Finally, lenders can find new profit opportunities in state and local tax-exempt mortgage bond programs that the 100th Congress revived just before adjourning.

We close out this turbulent year for mortgage bankers with a little food for thought. Our executive essay ponders the pressures that are reshaping the way loan officers of the future will be compensated.

Janet Reilley Hewitt
Editor

COMING IN JANUARY

The Great Paper Chase

Ginnie Mae issuers have been chasing down missing loan documents to meet the looming January deadline for getting uncertified Ginnie Mae pools finally certified. Next month's issue will have some of the horror stories on pools that seem to defy certification and what issuers have done to wrestle them into submission. We will hear from custodians, Ginnie Mae President Mark Buchman, issuers, lawyers and consultants on how the industry is tackling the certification and recertification problem.

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As Congress takes up the affordability debate, FHA becomes a key focus.

The Cornerstone to Expanding Homeownership

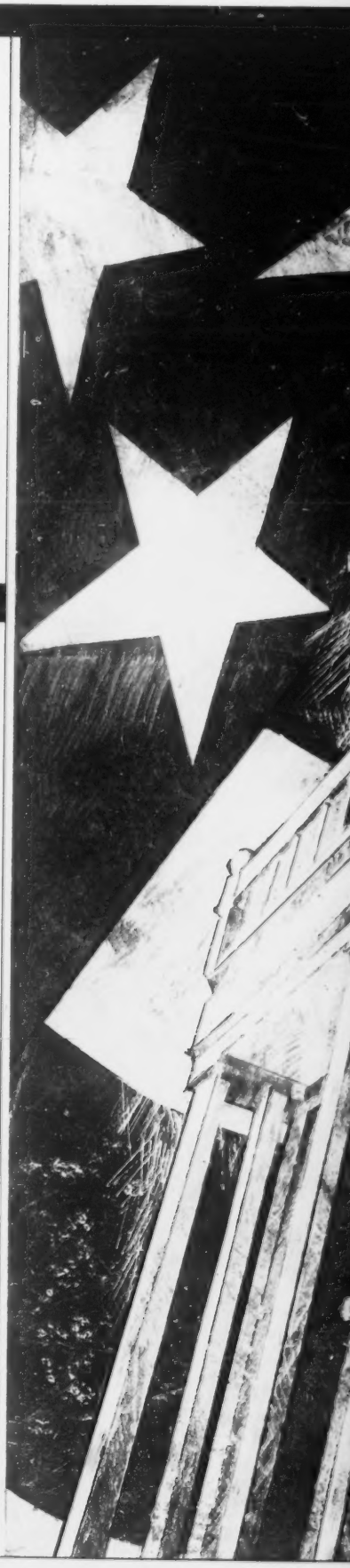

ILLUSTRATION BY STEVEN LEE HOSKINS

As housing affordability becomes an increasingly severe problem, Congress has been exploring alternatives to help increase the rate of homeownership in America.

A major focal point for this discussion has been the recommendations of the National Housing Task Force commissioned by Senators Alan Cranston and Alfonse D'Amato. The task force maintains, as does MBA, that a strong and viable FHA can play a critical role in expanding homeownership opportunities.

Before discussing the specific recommendations, it is appropriate to point out the role FHA has played during its 50-year history. MBA believes FHA policy over the years has been totally consistent with its mission and essential to the continual functioning of the housing finance system in many parts of the country. This is an important point as the chief critics of FHA maintain it has strayed from its fundamental mission.

Throughout its history, FHA has effectively served more than 15 million homebuyers by blending its fundamental social purpose of expanding homeownership opportunities with prudent fiscal responsibility. This management philosophy has enabled FHA to assist many families who otherwise could not have purchased a home. At the same time, it has allowed FHA to accumulate about $4 billion in reserves.

In this regard, it must be remembered that FHA administers an insurance program. Like any successful insurance company, FHA must adhere to fundamental insurance principles that include the pooling of risks of possible loss across a large enough group to minimize the losses that inevitably will occur.

Within this basic framework, FHA insurance has allowed lenders to offer more liberal terms to low- moderate- and middle-income borrowers, greatly expanding the number of families who can afford to purchase homes. Amortization of loans over longer periods and lower cash investments are two examples of how FHA experience transformed mortgage lending practices and opened up homeownership opportunities.

While the Mortgage Insurance Companies of America (MICA) maintains that FHA should serve only low-income families, that view indicates a lack of awareness of the ingredients behind FHA's formula for success. Because FHA (Section 203(b)) is an insurance program that operates at no expense to the taxpayer, it is essential that FHA have a broad base of borrow-

Brian Chappelle

ers over which to spread its insurance risk. By its very nature, FHA insurance benefits some, at the expense of other, borrowers. In fact, through HUD's uniform premium structure, one group of borrowers actually subsidizes the homeownership opportunities of high-risk, lower-income borrowers. For that reason, no mention of income limits or any references to the income of Section 203(b) borrowers is made throughout that section of the National Housing Act.

This is not to say that FHA should operate unbridled in the marketplace. FHA has always followed reasonable mortgage limits to target its loans. In fact, contrary to the implied arguments of FHA's opponents, FHA's mortgage limits are lower today than they were 20 years ago on a relative basis, compared to national, existing housing, average sales prices.

In the last several years, we have seen another example of the importance of FHA to the marketplace. Because of the success that private insurers enjoyed in the 1970s as a result of the seemingly risk-free environment of high inflation and appreciation in home values, they were questioning the need for FHA in 1981.

At that time, in response to higher interest rates, the conventional mortgage finance industry embraced alternative mortgage instruments involving negative amortization and adjustable interest rates, with unrealistic first year "teaser" rates and no caps. These untested instruments, coupled with liberal underwriting guidelines, enabled the MI industry to serve the same market of borrowers that FHA served for several years.

Once the shortcomings of this strategy began surfacing in the form of foreclosures, MIs reassessed their position. (See Moody's Investor Services' annual report for 1986 for documentation as to the severity of the problem.) In response to these unprecedented losses, MIs re-evaluated their risk management operations, and the end result has been a considerable tightening of underwriting requirements. Some examples of changes include the following:

- Lower expense-to-income ratios especially for loans with 91 to 95 percent LTVs.
- Imposition of geographic limitations (i.e. no investor loans or tighter underwriting requirements in economically depressed areas).
- Mandatory borrower cash investment (i.e. gift letters only for down payments above 5 percent).
- Cash on hand after closing to pay at least two months' mortgage payments.

One only has to talk with state housing finance agency officials to understand the impact of these changes and the retrenchment of the MI industry. A survey of 10 state housing agencies, revealed each agency has been compelled to rely heavily, if not entirely, on FHA in the last several years to meet the housing needs of lower-income families. MIs have almost totally withdrawn from the state housing programs.

If FHA had not been there to keep the housing industry viable in these states, homeownership opportunities would have been virtually nonexistent for average Americans.

In addition to the almost universal concern expressed by state housing agencies, we have witnessed considerable tightening of MI guidelines in the economically distressed areas of Texas, Oklahoma, Colorado, Louisiana, and Alaska. MBA fully understands the reason for this shift in management philosophy. But the MI's sound business strategy further underscores the importance of FHA. If FHA had not been there to keep the housing industry viable in these states, homeownership opportunities would have been virtually nonexistent for average Americans lacking the down payment and income necessary to meet extremely rigorous underwriting guidelines.

However, that commitment by FHA has not occurred without a price. FHA has incurred a significant portion of their recent claim problems in states where MIs have retreated for prudent business reasons.

The task force identified the problem of raising money for a down payment as probably the principal impediment to buying a home for many low-, moderate- and middle-income families. Because a low down payment is one primary benefit of the FHA program, improvements to the Federal Housing Administration make it the ideal vehicle to carry out the recommendations of the task force. Specific recommendations for building on the FHA program to achieve some of the task force's goals are discussed.

Adjustable rate mortgage instruments were developed in response to the affordability crunch created by rising interest rates in the early 1980s. While there were problems with early ARM instruments as we noted earlier, the development of effective consumer protection measures has made these instruments reasonable alternatives for many borrowers. As the task force points out, ARM mortgages can have initial rates 2 or 3 percent below fixed-rate instruments. However, because of limitations in the FHA ARM program (1 percent cap on annual adjustments), borrowers lacking the additional down payment or income required for conventional ARM mortgages are denied access to this instrument and the lower relative interest rates under this program. For these reasons, MBA supports the task force recommendations to raise the cap on an annual adjustment from 1 to 2 percent a year, remove the cap on activity, and require HUD analysis of whether additional consumer protection measures are needed. MBA also supports raising the lifetime cap from 5 to 6 percent to make the FHA ARM consistent with the industry standard.

With regard to the potential adverse impact of an increase in the annual cap to 2 percent on certain borrowers, MBA agrees that 2 percent adjustments are not for every FHA borrower. As the servicer of the vast majority of FHA loans, mortgage bankers are all too familiar with the problems created for borrowers by defaults and foreclosures, not to mention the financial expenses for the lender. Additional underwriting protection must be built into the loan origination process of these products (e.g. underwrite at the maximum second-year rate). In this way, eligible borrowers are protected against unnecessary risk and thousands of homebuyers who do not have the down payment for a conventional

loan will be able to take advantage of this instrument, just as higher income families do with conventional ARM loans.

MBA believes that the current FHA mortgage limits have restricted FHA from serving many homebuyers, particularly in high-cost areas. We have prepared a chart comparing average sales prices for existing housing with the FHA maximum mortgage limits. (The years chosen correspond with years that the FHA mortgage limits were raised.)

Chart 1 shows that contrary to the charge made by critics that FHA limits have increased too often, FHA mortgage limits have dropped dramatically over the last 20 years as a percentage of average sales price. In 1969, the FHA mortgage ceiling was more than 50 percent higher than the average sales price. While the National Association of Realtors has maintained this data only since 1968, we believe that same relationship existed throughout FHA's earlier years.

While Congress has partially responded to this problem by raising the ceiling in high-cost areas up to a maximum of $101,250, even in those areas the maximum mortgage amount equates only to 95 percent of the median sales price. In high-cost areas where the median sales price far exceeds the $101,250 ceiling, the problem is exacerbated because that arbitrary ceiling may be only 80 percent of the average sales price in places like California, New England, New York and Washington, D.C. As a result, MBA believes that the task force's proposal of removing the $101,250 limit is clearly justified and would bring FHA mortgage limits more in line with historical limits.

As the task force notes, down payments are probably the most significant impediment to homeownership. In response to this problem, the task force proposes lowering down payments by $500 on homes costing over $50,000, thus raising the portion of the property's value that would have a 3 percent down payment from $25,000 to $50,000. MBA believes this modest change will ease the burden of accumulating the necessary cash investment, while not seriously affecting borrower motivation to continue making payments. This change recognizes the fact that there are more and more borrowers who have the income to meet their monthly obligations, but simply lack the cash reserves to make the needed down payment.

Accepting high loan-to-value ratio loans has not adversely affected the actuarial soundness of the FHA program. In 1987, MBA commissioned a study by Peat, Marwick and Main which concluded that the FHA insurance fund is in good financial condition. In fact, the study also concluded that the current mortgage insurance premium of 3.8 percent could be lowered to 3.4 percent based on FHA's own actuarial standards. The soundness of the FHA program was verified by an FHA study earlier this year.

But, in its testimony on the task force's recommendations, MICA raised concerns about the status of the

CHART 1

Year	Existing Housing Average Sales Price	FHA Mortgage Ceiling	FHA ceiling as percent of average sales price
1969	$21,800	$33,000	151%
1974	$32,000	$45,000	141%
1977	$42,900	$60,000	140%
1979	$55,100	$67,500 ($90,000 in high-cost area)	123%*
1988	$85,600 (1987 data)	$67,500 ($101,250 in high-cost area)	79%*

* For areas above $67,500 and below the high-cost area maximum, the limit would be approximately 95 percent.

CHART 2

1985 Originations

	Claims*	Mortgages Insured	Percent Claims
Texas	3,923	41,197	9.5%
Oklahoma	1,190	7,795	15.3%
Louisiana	604	5,867	10.3%
Colorado	2,065	26,602	7.8%
Wyoming	116	1,467	7.9%
Alaska	765	2,500	30.6%
Total (Oil States)	8,663	85,425	10.1%
Remainder of Country	11,377	366,099	3.1%
U.S. Total	20,040	451,524	4.4%

* Through December 1987
Oil states comprised 19 percent of HUD's originations and 43 percent of HUD's claims in 1985.

CHART 3

1986 Originations

	Claims*	Mortgages Insured	Percent Claims
Texas	2,264	81,320	2.8%
Oklahoma	466	18,627	2.5%
Louisiana	200	15,711	1.3%
Colorado	1,012	56,864	1.8%
Wyoming	77	3,972	1.9%
Alaska	312	4,850	6.4%
Total (Oil States)	4,331	181,344	2.4%
Remainder of Country	3,790	749,823	.5%
U.S. Total	8,121	931,167	.9%

* Through December 1987

Mutual Mortgage Insurance Fund, which includes FHA's Section 203(b) program. MBA is also concerned about the continued strength of that fund. For that reason, MBA has introduced a variety of actions to reduce FHA's risk exposure that have since been implemented by the FHA. For example, MBA recommended the termination of the Section 245(b) graduated payment mortgage program that allowed negative amortization above the original value of the property. MBA also proposed reducing the maximum loan-to-value ratio to 75 percent for investor-owned loans. Both changes have subsequently been enacted by the Congress. Because MBA recognizes the importance of actuarial soundness to the on-going success of FHA, we will continue to analyze the claim situation in an effort to make improvements to the fund's status.

Based on current analysis, there are two points MBA believes are essential to mention regarding FHA's recent claim experience. They are:

- The importance of location on claims experience.

  In the last several years, we have watched the "oil patch" states endure tremendous economic distress. These economic hard times have resulted in unprecedented claim problems for all segments of the lending community, regardless of loan criteria (e.g. low loan-to-value ratios). A look at their impact on FHA originations in 1985 and 1986 documents this problem. (See charts 2 and 3.)

  While the oil states' share of HUD's originations stayed constant in 1986 at 19 percent, their share of claims rose to 53 percent. As these numbers show, the problem is far more complicated than very high ratio loans and less stringent underwriting criteria. The easy answer would be for FHA to stop making loans in economically distressed areas. But we believe the devastation to these areas would be exacerbated by such an action, since FHA is the major, if not only, viable insurance source in these hard-hit regions.

  A look at recent FHA and MI new origination information underscores this problem. FHA's market share has risen from 9 percent in 1984 to 29 percent in 1987 in six key states (Texas, Alaska, Colorado, Louisiana, Oklahoma and Florida). At the same time, MI market share in these states dropped from 43 percent to 9 percent over the same period. Chart 4 highlights this change.

  As FHA fills market voids left by the MI retrenchment, increased risk becomes an inevitable result. The risk associated with problem markets is emerging as a key determinant in determining future claim losses, regardless of loan underwriting standards.

- Recent FHA business quality.

  Because of the tremendous loan volume in the last several years (over 40 percent of FHA's portfolio was originated in 1986 and 1987), FHA's actuarial managers are looking at the quality of these more recent mortgages as an indication of FHA's future actuarial soundness. In this regard, FHA's 1986 book of business had the lowest first-year claim rate of any year in the 15-year period analyzed. As the data indicates, it would have been even better without the economic problems suffered in the Southwest. We believe there are two key reasons for this improvement.

  Tighter underwriting and better quality control procedures—Much like the rest of the industry, FHA acted in the mid-1980s to address problems that required changes in its program guidelines. FHA implemented an early default tracking system to monitor lender performance. They also substantially increased the number of staff (from 10 to 35) that visit lenders and review loan quality and compliance with HUD guidelines. HUD implemented a variety of underwriting changes that MBA supports (e.g. buydown restrictions, assumption processing, tighter underwriting criteria for shared equity loans and use of residual income only as compensating factor). MBA believes these changes have all contributed to improved claim performance.

  Better loan quality—Because of the unprecedented drop in interest rates in 1986, many homeowners refinanced existing FHA mortgages with new mortgages at lower interest rates. While this is probably only a one-time phenomenon, the net result is to greatly improve the quality of FHA's portfolio. These borrowers, who paid the same premium amount as high-risk, low-income borrowers buying their first homes, will help offset the program costs of serving riskier, lower-income buyers. MICA's response to this development has, on the other hand, been to recommend excluding refinances from FHA's program.

CHART 4

Market Share of Total Originations (In Percent)

	FHA				MIs			
	1984	1985	1986	1987	1984	1985	1986	1987
Alaska	10	27	38	43	80	39	24	12
Colorado	21	29	32	45	27	13	6	6
Florida	6	9	12	17	48	30	12	10
Louisana	6	10	16	23	33	22	9	7
Oklahoma	10	15	22	32	40	23	8	6
Texas	7	14	18	35	44	24	11	10
Six State Total	9	15	19	29	43	24	11	9

Note: Based on new business per state in dollars divided by total originations per state in dollars.
Sources for table: MI production figures from MICA. FHA production as reported by HUD. Total originations as estimated by HUD.

The success of the FHA has surely exceeded its founders' expectations. MBA supports the initiatives of the National Housing Task Force to ensure that FHA continues to serve the needs of the American homebuyer. The task force and MBA believe enhancements to FHA can be the cornerstone of the federal government's effort to expand homeownership opportunities. Adopting the changes recommended by the task force, would allow FHA to continue to flourish and ensure that homeownership remains possible for low-, moderate- and middle-income families at no cost to the taxpayer. **MB**

Brian Chappelle is senior director of single-family housing at MBA.

VITAL STATISTICS

INTEREST RATES & YIELDS

1- TO 4-FAMILY MORTGAGES

1988	FHA OPINION SURVEY	FHLBB			FNMA		FHLMC	
	FHA New Homes[1]	CONVENTIONAL[2] FRM	ARM	Median Cost of Funds FSLIC Institutions	1-Yr. ARM	FRM Conv.	ARMs	FRMs
JUN	10.75%	10.35%	8.39%	7.11%	8.45%	10.22%	7.85%	10.46%
JUL	10.66	10.50	8.44	7.14	8.70	10.26	7.84	10.43
AUG	10.70	10.56	8.47	7.21	9.10	10.49	8.01	10.60
SEP	**10.66**	**10.66**	**8.52**	**NA**	**8.99**	**10.25**	**8.14**	**10.48**

SELECTED SECURITIES

1988	FEDERAL FUNDS RATE	PRIME COMMERCIAL PAPER (3-Month)	U.S. GOVERNMENT 6-Month	1-Year	3-Year	10-Year	A-Rated Utility
JUL	7.75%	7.82%	6.99%	7.75%	8.44%	9.06%	10.40%
AUG	8.01	8.26	7.39	8.17	8.77	9.26	10.45
SEP	8.19	8.17	7.43	8.09	8.57	8.98	10.26
OCT	**8.30**	**8.24**	**7.50**	**8.11**	**8.43**	**8.80**	**10.11**

CURRENT SECONDARY MARKET YIELDS

1988	GNMA[3]	FNMA[3]	FHLMC[3]
JUL	10.17%	10.13%	10.09%
AUG	10.30	10.27	10.24
SEP	10.11	10.09	10.06
OCT	**9.96**	**9.97**	**9.95**

SPREADS

(Basis Points)

	GNMA Minus 10-Yr. Govt.	FNMA Minus 10-Yr. Govt.	FHLMC Minus 10-Yr. Govt.
JUL	111	107	103
AUG	104	101	98
SEP	113	111	108
OCT	**116**	**117**	**115**

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

1988	FNMA Portfolio Commitments	FNMA Portfolio Purchases	FNMA Mortgage-Backed Securities Outstanding	FNMA Mortgage-Backed Securities Issued	FHLMC Commitments To Sell	FHLMC Commitments To Buy	FHLMC Mortgages Purchased	FHLMC Mortgages Sold	GNMA Pass-Through Securities Applications	GNMA Pass-Through Securities Issued
JUN	$2,179	$2,372	$157,438	$6,220	$4,288	$6,447	$4,117	$3,648	$4,964	$5,570
JUL	1,108	1,960	160,636	4,895	3,445	5,328	3,879	4,116	5,514	6,306
AUG	1,041	1,638	163,253	4,261	4,095	2,822	3,858	3,719	6,517	6,327
SEP	**1,439**	**1,111**	**167,170**	**5,622**	**NA**	**NA**	**NA**	**NA**	**5,975**	**5,684**
1987 TOTAL	25,415	20,531	---	63,230	68,210	76,615	76,840	75,018	116,611	96,983
1986 TOTAL	32,987	30,826	---	60,566	107,209	136,179	103,474	102,431	152,911	98,169
9 MONTH AVG.[4]										
1988	2,117	2,033	---	4,363	3,161	4,904	3,237	2,829	4,765	4,663
1987	1,982	1,579	---	5,593	7,163	7,740	7,903	7,726	11,824	9,091
1986	3,059	2,462	---	4,878	8,345	11,733	7,282	6,978	13,262	7,357

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES

(Units in Thousands, Seasonally Adjusted Annual Rates)

	BY TYPE OF UNIT						BY REGION							
	HOUSING STARTS			BUILDING PERMITS			HOUSING STARTS				BUILDING PERMITS			
1988	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Northeast	Midwest	South	West	Northeast	Midwest	South	West
JUN	1,465	1,154	311	1,493	1,081	412	241	263	584	377	247	282	574	390
JUL	1,477	1,119	358	1,420	1,063	357	257	285	562	373	225	255	546	394
AUG	1,431	1,136	295	1,464	1,096	368	204	239	563	426	215	253	562	434
SEP	**1,453**	**1,113**	**340**	**1,399**	**1,057**	**342**	**212**	**254**	**552**	**435**	**189**	**251**	**547**	**412**
1987 TOTAL	1,621	1,212	409	1,535	1,114	421	269	298	634	420	272	282	575	406
1986 TOTAL	1,805	1,263	542	1,769	1,186	584	294	296	733	483	283	290	687	510
9 MONTH AVG. (SAAR)														
1988	1,470	1,132	338	1,424	1,063	361	253	267	561	389	245	262	531	386
1987	1,668	1,248	420	1,581	1,147	433	280	317	637	432	281	300	586	414
1986	1,844	1,274	571	1,781	1,184	597	304	298	760	482	284	291	711	495

HOME SALES

(Units in Thousands)

	EXISTING HOMES			NEW HOMES		
1988	Sold (SAAR)	Available for Sale	Months Supply At Current Sales Rate	Sold (SAAR)	Available for Sale	Months Supply At Current Sales Rate
JUN	3,820	2,700	8.5	718	367	6.2
JUL	3,630	2,500	8.3	700	364	6.4
AUG	3,710	2,500	8.2	715	363	6.3
SEP	**3,630**	**2,400**	**8.0**	**659**	**364**	**6.9**
1987 TOTAL	3,526	---	---	671	---	---
1986 TOTAL	3,565	---	---	750	---	---
9 MONTH AVG. (SAAR)						
1988	3,517	---	---	672	---	---
1987	3,571	---	---	687	---	---
1986	3,467	---	---	757	---	---

VALUE OF NEW PRIVATE CONSTRUCTION PUT IN PLACE

(Units in Billions of 1982 Dollars, Seasonally Adjusted Annual Rates)

	Total[5]	1–Unit	2+ Units	Nonresidential
	$276.7	$102.5	$19.0	$79.1
	279.5	101.3	19.3	77.2
	281.1	102.2	19.1	77.0
	281.8	**103.3**	**19.3**	**76.6**
	283.0	100.7	22.4	78.2
	281.8	92.0	28.0	79.8
	279.2	102.7	19.4	77.7
	281.4	99.6	22.7	77.2
	279.5	89.5	27.8	80.4

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED
By Type of Institution and By Type of Unit
(Dollars in Millions)

1988	1-4 UNITS					5+ UNITS					NONRESIDENTIAL				
	Total[6]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies	Total[6]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies	Total[6]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies
MAR	$26,698	$6,638	$13,059	$6,500	$146	$2,544	$157	$1,471	$536	$223	$14,297	$83	$1,914	$10,300	$1,555
APR	28,420	6,702	14,153	7,062	165	2,744	270	1,475	414	430	14,276	28	1,619	10,477	1,737
MAY	33,300	7,277	16,518	8,899	253	3,253	256	1,636	883	323	16,654	48	1,872	11,795	2,802
JUN	**41,638**	**9,914**	**20,031**	**10,934**	**367**	**3,925**	**593**	**2,167**	**711**	**288**	**15,721**	**63**	**2,256**	**10,551**	**2,742**
1987 TOTAL	449,544	110,093	208,054	124,551	3,209	44,981	2,409	22,492	8,299	3,547	168,652	2,871	25,613	110,490	28,160
1986 TOTAL	455,054	131,628	207,182	108,613	3,814	49,868	7,172	22,769	7,176	3,723	147,374	4,084	27,306	83,929	29,906
6 MONTH AVG.															
1988	28,740	6,952	13,871	7,404	171	2,819	304	1,553	544	262	14,621	50	1,835	10,563	1,947
1987	42,066	11,635	18,281	11,572	309	4,279	204	1,823	843	246	12,430	335	1,993	8,177	1,834
1986	30,034	8,809	14,284	6,401	225	3,364	446	1,450	423	253	9,481	253	1,920	5,206	1,917

MORTGAGE INSURANCE
(Units in Thousands, Dollars in Millions)

1988	APPLICATIONS RECEIVED (Units)				LOANS INSURED							
	TOTAL	FHA[8]	VA	PRIVATE	TOTAL		FHA		VA		PRIVATE	
					Units	Amount	Units	Amount	Units	Amount	Units	Amount
JUN	168	85	20	63	111	$8,466	50	$3,006	16	$1,209	45	$4,251
JUL	147	75	18	55	130	9,565	72	4,383	17	1,287	41	3,895
AUG	162	85	22	55	129	9,588	66	4,070	19	1,451	43	4,068
SEP	**141**	**72**	**19**	**50**	**117**	**8,732**	**59**	**3,655**	**20**	**1,505**	**38**	**3,572**
1987 TOTAL	2,340	1,211	408	721	2,282	159,668	1,320	81,881	451	33,312	511	44,475
1986 TOTAL	3,281	1,907	450	923	1,853	127,757	921	56,901	346	24,718	586	46,138
9 MONTH AVG.												
1988	153	84	17	52	112	8,187	58	3,544	17	1,298	36	3,345
1987	220	118	39	63	209	14,561	123	7,665	42	3,082	44	3,814
1986	291	174	37	79	147	10,075	71	4,374	27	1,964	48	3,737

NA—Not Available; SAAR—Seasonally Adjusted Annual Rate

[1]Secondary market gross yields. Numbers shown for each month are the average of yields from the first day of the month shown and the first day of the subsequent month.

[2]Effective rate on loans closed.

[3]Securities for 0 to 30 day delivery.

[4]Average covers one month less for FHLMC.

[5]In addition to the categories of private construction shown, the total also includes these categories: residential improvements, railroads, electric light and power, gas, telephone and telegraph, petroleum pipelines, and farm nonresidential.

[6]In addition to the categories shown, the total also includes private pension funds, private MBS conduits, state and local retirement funds, Federal credit agencies, mortgage pools, and state and local investment agencies.

[7]Savings & Loans and Mutual Savings Banks.

[8]FHA applications received includes the Direct Endorsement Program.